

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 COME-00 TRSE-00 SCEM-02 INT-08 OMB-01

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UNCLAS PARIS 0664

E.O. 11652: N/A

TAGS: EFIN FR

SUBJECT: Giscard says exports must increase to pay for oil

REF: PARIS 32687 (1973)

1. FINANCE MINISTER GISCARD D'ESTAING GAVE FIRST OF ANNOUNCED SERIES MONTHLY REVISED ECONOMIC REPORTS, JANUARY 8. TONE CONFIRMED MORE PESSIMISTIC PUBLIC STANCE RECENTLY TAKEN BY PRESIDENT POMPIDOU (REFTEL). MASSIVE INCREASES OF PETROLEUM AND OTHER PRICES HAD, FINANCE MINISTER SAID, CAUSED TOTAL BREAK WITH PAST, AN ECONOMIC CHALLENGE. SOLUTIONS WOULD NOT BE EASY, BUT THROUGH ITS OWN EFFORTS COUNTRY WAS FORTUNATELY IN A BETTER POSITION TO MEET CHALLENGE THAN IT WAS 10 OR 15 YEARS AGO.

2. PRICE INCREASES, TO BE ANNOUNCED THURSDAY, WOULD HAVE TO BE COMPLETELY PASSED ON TO FRENCH CONSUMERS. INCREASES WOULD BE LARGE. HE ESTIMATED THAT DIRECT PLUS INDIRECT EFFECTS WOULD INCREASE RETAIL PRICE INDEX BY 1.5-2.0 PERCENT.

3. FINANCE MINISTER PRESENTED DETAILED FORECAST OF BALANCE OF PAYMENTS EFFECTS OF OIL PRICE INCREASES. OIL IMPORTS COST UNCLASSIFIED

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15 BILLION FRANCS IN 1973. IN 1974 THEY WOULD RISE TO 45 BILLION,

6 BILLION OF WHICH WAS DUE
TO OCTOBER INCREASE AND 25 BILLION FROM
DECEMBER INCREASE (1 BILLION DIFFERENCE EVIDENTLY DUE TO ROUNDING).
THIS THIRTY BILLION EXTRA COST COULD FIRST BE REDUCED BY CUTTING
OVERALL CONSUMPTION BY 10 PERCENT,
THUS SAVING 4.5 BILLION FRANCS. THE REMAINDER OF SOME 26 BILLION
FRANCS WOULD ABSORB PREVIOUSLY
PROJECTED 8 BILLION FRANC TRADE SURPLUS, AND LEAVE A TOTAL DEFICIT
OF 18 BILLION FRANCS WHICH FRANCE WOULD HAVE TO MEET.

4. GISCARD CONTINUED THAT A REASONABLE OBJECTIVE WOULD BE
TO ACHIEVE AT A "SATISFACTORY BALANCE" IN 1975. THIS WOULD REQUIRE
A CONSIDERABLE EFFORT TO DEVELOP BOTH INDUSTRIAL AND AGRICULTURAL
EXPORTS, AND THAT GOVERNMENT POLICIES MUST GIVE PRIORITY TO
EXPORTS. STONE

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